

Stock Data

Share Price:	0.20p
Market Cap:	£12.2m
Shares in issue:	6,076m
52 week high/low:	0.43p/0.13p

Company Profile

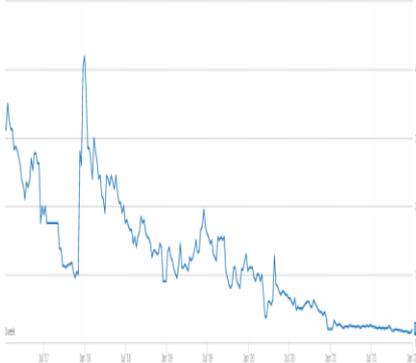
Sector:	Electronic and Electrical Equipment
Ticker:	MSYS
Exchange:	AIM

Activities

Microsaic Systems plc ('Microsaic', 'MSYS', 'the Group') is a high technology company which develops point-of-need mass spectrometers, designed to improve the efficiency of chemical and biological workflows.

Website: www.microsaic.com

5-year Share price performance



Source: [LSE](https://www.lse.com)

Past performance is not an indication of future performance.

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TPI acts as Joint Broker to Microsaic Systems plc.

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Microsaic Systems plc

Microsaic has provided an unaudited trading update for the year ended 31 December 2021 ('FY21'). Confirming revenues for the period significantly exceeded those of the FY20, recovering to a level slightly ahead of that in FY19, CEO Glenn Tracey also noted that "If 2021 was about turnaround and transition, then 2022 is about significant business inflection". This reflects his Board's conviction that the Group's transition to workflow solution sales will establish higher-level end-user engagement going forward, having already reported a healthy sales opportunities pipeline at the opening of the new year. Taking a measured approach to market access while also seeking to limited operational expenditure, the past year has seen Microsaic refocus on growing its business in conjunction with partners, such as DeepVerge plc (AIM: DVRG, 'DeepVerge') in water detection collaborations, with contract research organisations in bioprocessing, through the extension of its Chinese activity with a range of local partners, and via OEM/other strategic partnerships that are presently under discussion.

2021 financial performance

Microsaic expects to report FY21 revenues of £0.90m, a substantial increase on FY20 (£0.20m) and a recovery to beyond that seen in FY19 (£0.87m). Orders for the year exceeded £1m, representing an important milestone for the Group. Following the effects of COVID-19 in FY20, sales in the first half of FY21 (£0.50m) predominantly comprised demand from 2020 converting to orders, while the second half recorded a strong intake of fresh business, driven in part by newly secured instrument and service activity in the Environmental and Human Health sector.

Reflecting primarily global supply chain pressures resulting from the COVID-19 pandemic, the Group's remaining 2021 order backlog is expected to be shipped in the opening months of FY22, while working to mitigate disruption to its key supply chain to ensure any future impact will be minimal.

High-value applications in major markets and geographies

2021 saw Microsaic take a number of important steps to develop its commercial offering in support of a number of new, high-value applications in major markets and geographies. Updated configurations of its MS technology are now included in water monitoring solutions for chemicals and pathogens (including so-called 'forever chemicals', drugs of abuse and pharmaceutical ingredients, as well as SARS-CoV-2) provided by its partner, DeepVerge, which is also opening access to international markets across three continents. Progress has been evident with the signing of a commercial framework agreement in March 2021 including initial equipment orders, and further demand reported in the following July, October and December.

Other significant steps recorded during the year were as follows:

- July 2021: The launch of real-time monitoring of on-line production of biotherapeutic drugs (vaccines and anti-cancer treatments) using a Microsaic micro-engineered MS solution, targeted at contract research and manufacturing organisations, integration partners and biopharmaceutical companies. The use of continuous MS process monitoring can provide timely and critical safety and quality assurance as potentially very expensive adverse outcomes can be mitigated upstream. Discussions continue with potential bioprocessing CRO partners, and with the alleviation of international travel, progress is anticipated to accelerate in FY22.

- September 2021: Microsaic entered into an agreement with a new Chinese partner, Jiangsu Henzhihe Technologies Co. Ltd. ('HZH'), to source manufacturing, integration, and service for distribution and prospective OEM partnerships in China. With strict international travel restrictions in force well into 2021 hopefully easing in 2022, it is now believed that progress will accelerate with a view to securing a medical licence to ship products in China, and subject to local regulatory requirements, into markets globally.
- October 2021: Saw the launch of Microsaic's services business, which offers a suite of solutions that provide knowledge, applications and services, including environmental, bioprocessing optimisation and analytics and workflow solutions, and emerging translational medicine. Further augmenting the Group's ongoing transition towards offering complete solutions to end-users in Human & Environmental Health, end-users will be sought across a number of different industries, including pharmaceuticals/biopharmaceuticals, food safety, environmental and clinical.
- November 2021: The Group's point-of-need platform was further extended to include Gas Chromatography ('GC') alongside its existing liquid chromatography ('LC') capability, enabling automated detection of organic chemicals in both non-volatile and volatile compounds. This expands the range of detectable compounds and fields of use for its technology, with potential applications across therapeutics, antibiotics, pesticides, petrochemicals, and personal care products.

Workflow solution sales expected to establish higher-level end-user engagement

Although MS technology equipment sales opportunities will remain part of Microsaic's future revenue mix, the Board expects the Group's transition toward workflow solution sales will establish higher-level end-user engagement, improving both customer engagement and operational visibility. Progress in this direction has been made in 2021 contributing most significantly in the second half of the financial period with increased order intake and enquiries, something that the Board expects to yield significant gains in the current year.

Within this, software and Artificial Intelligence ('AI') collaborations in the area of Environmental Health enable the Group to highlight the value and information that can be extracted from customer data, such as trend identification and prediction. This includes both its work with DeepVerge's wholly-owned subsidiary, Modern Water, which incorporates AI to power analysis for substances such as drugs of abuse and active pharmaceutical ingredients during real-time sewage monitoring, while Microsaic's work with Swansea University Medical School also examines the interaction of epigenetics and environmental factors, including pollutants.

Balance sheet strength expected to support Microsaic's corporate transformation to point of profitability

2022 looks set to start well for Microsaic. With a healthy sales opportunities pipeline in place, the Board is targeting a significant increase in revenues this year, underpinned by scientific services opportunities, particularly in bioprocessing and water markets, while also benefitting from extension of the Group's detection platform into Human and Environmental Health real-time monitoring. International market access is now being found through the expansion of existing and prospective partnerships/collaborations, without the need to substantially increment operational expenditure. Although at this time TPI has yet to set a valuation, project forward revenues or set a target share price for Microsaic, it does recognise that this latest update represents a further, important step toward delivering on the promises made back in February 2021, when it successfully completed a £5.5m equity placing and broker option. Having since redirected its business model from an instrument-centric sales focus to a more commercial and collaboratively-based business model centred on customer workflows, providing instrumentation, software, service and analytics to help solve real-world problems, Microsaic has emerged from the Pandemic as a stronger and more commercially-focused operation. This is something TPI expects to be demonstrated through value retained in its proprietary and unique technologies, improving sales and deepening customer relationships as 2022 progresses.

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